

Employees Retirement System of the City of St. Louis Request for Proposal and Qualifications for Energy-Master Limited Partnership Investment Management Services

The Board of Trustees of the Employees Retirement System of the City of St. Louis requests proposals from qualified investment managers to provide investment management services to the Board, on behalf of the Plan, which has a combined market value of approximately \$636 million.

The Board employs a multiple manager approach to investment of the Plan's assets. **The Board seeks an Energy-Master Limited Partnership manager to manage a portfolio to be benchmarked against Alerian MLP Total Return Index.** The initial portfolio assignment is **estimated to initially be approximately \$45 million**, but could change.

In order to qualify for consideration, your firm's product must meet the following criteria. **IF ALL CRITERIA ARE NOT MET, DO NOT SUBMIT A RESPONSE.**

Requirements:

- Investments in the proposed strategy shall consist solely of publicly traded energy-MLPs (minerals, timber, real estate, mortgage securities, financial, and other types of publicly traded master limited partnerships must not be part of the investment approach).
- Proposed strategy must be a long only MLP portfolio (strategies that utilize shorting will not be considered).
- Proposed strategy should not utilize leverage as part of the investment approach.
- The firm must have an institutional capability and the ability to manage a \$45 million mandate in a separately managed account (non-separately managed account strategies will not be considered).
- The firm must have a minimum of \$500 million in total MLP assets under management (across all strategies) as of June 30, 2012.
- The strategy must have a minimum live track record of five (5) years as of June 30, 2012, and must not include back tested results. Inclusion of long-only carve outs is deemed applicable to a live track record.
- Performance for the proposed MLP strategy must have exceeded the performance of the Alerian MLP Index in two of the three following time periods: one (1), three (3), and five (5) years annualized for the periods ending June 30, 2012.
- Performance data submitted must be CFA Institute GIPS compliant and/or audited as of June 30, 2012.
- Fees for proposed product should not exceed 75 basis points for a mandate size of \$45 million. Please submit your best and final fee proposal with the RFP response.
- Investment manager must be currently registered and maintain registration as an investment advisor under the Investment Advisors Act of 1940.
- Investment manager must agree to abide by the Missouri Fiduciary Standards 105.687-105.690 (see attached).

All RFP responses are due by 4:00 p.m., Central Time, on October 17, 2012. Submit completed responses to the attention of Joe Lubelski, Research Analyst – Real Assets, via email at j_lubelski@summitstrategies.com.

Please note that faxed responses as well as responses received after the due date will not be considered.

Missouri Revised Statutes
Chapter 105
Public Officers and Employees--Miscellaneous Provisions
Section 105.687

August 28, 2009

Definitions.

105.687. As used in sections 105.687 to 105.689, the following terms mean:

- (1) "Equity interests", limited partnership interests and other interests in which the liability of the investor is limited to the amount of the investment, but does not include general partnership interests or other interests involving general liability of the investor;
- (2) "Invest" or "investment", utilization of money in the expectation of future returns in the form of income or capital gain;
- (3) "Investment fiduciary", a person who either exercises any discretionary authority or control in the investment of a public employee retirement system's assets or who renders for a fee advice for a public employment retirement system;
- (4) "Small business", an independently owned and operated business as defined in Title 15 U.S.C. Section 632A and as described by Title 13 CFR Part 121*;
- (5) "Small business investment company", an incorporated body or a limited partnership under Section 301 of Title III of the Small Business Investment Act of 1958, 15 U.S.C. 681;
- (6) "System", a public employee retirement system established by the state or any political subdivision of the state;
- (7) "Venture capital firm", a corporation, partnership, proprietorship, or other entity, the principal businesses of which is the making of investments in small businesses, either directly or indirectly by investing in entities the principal business of which is the making of investments in small businesses.

(L. 1987 S.B. 20 § 1)

*Original rolls contain "21", an apparent typographical error.

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[Missouri General Assembly](#)

Missouri Revised Statutes

Chapter 105 **Public Officers and Employees--Miscellaneous Provisions** **Section 105.688**

August 28, 2009

Investment fiduciaries, duties.

105.688. The assets of a system may be invested, reinvested and managed by an investment fiduciary subject to the terms, conditions and limitations provided in sections 105.687 to 105.689. An investment fiduciary shall discharge his or her duties in the interest of the participants in the system and their beneficiaries and shall:

- (1) Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
- (2) Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;
- (3) Make investments for the purposes of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the system;
- (4) Give appropriate consideration to those facts and circumstances that the investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role of the investment or investment course of action plays in that portion of the system's investments for which the investment fiduciary has responsibility. For purposes of this subdivision, "appropriate consideration" shall include, but is not necessarily limited to a determination by the investment fiduciary that a particular investment or investment course of action is reasonably designed, as part of the investments of the system, to further the purposes of the system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action; and consideration of the following factors as they relate to the investment or investment course of action:
 - (a) The diversification of the investments of the system;
 - (b) The liquidity and current return of the investments of the system relative to the anticipated cash flow requirements of the system; and
 - (c) The projected return of the investments of the system relative to the funding objectives of the system;
- (5) Give appropriate consideration to investments which would enhance the general welfare of this state and its citizens if those investments offer the safety and rate of return comparable to other investments available to the investment fiduciary at the time the investment decision is made.

(L. 1987 S.B. 20 § 2)

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Missouri Revised Statutes

Chapter 105 **Public Officers and Employees--Miscellaneous Provisions** **Section 105.689**

August 28, 2009

Investment fiduciary may make investments in certain countries.

105.689. Nothing in sections 105.687 to 105.689 shall prevent any investment fiduciary from making investments in any company which does business in any country with which the United States maintains diplomatic relations.

(L. 1987 S.B. 20 § 3, A.L. 1992 S.B. 499, et al.)

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Missouri Revised Statutes

Chapter 105 **Public Officers and Employees--Miscellaneous Provisions** **Section 105.690**

August 28, 2009

Selection of fiduciaries, preference to Missouri firms.

105.690. When selection is made of a venture capital firm, a consultant or a fiduciary, preference must be given to a Missouri based company.

(L. 1987 S.B. 20 § 4)

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- (1) Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
- (2) Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;
- (3) Make investments for the purposes of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the system;
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Energy-Master Limited Partnership Investment Manager Questionnaire

Please complete the following request for information about your firm.

Section 1: Firm Specific Issues

1. Please provide the following information for your firm:
 - a. Firm name
 - b. Firm headquarters address
 - c. Firm headquarters telephone number
 - d. Name of parent firm (if any)
 - e. Name of affiliations or subsidiaries (if any)
 - f. Month, day and year firm was founded
2. Please provide the following information regarding your primary contact person for the product under consideration:
 - a. Contact name
 - b. Address
 - c. Telephone
 - d. Email address
3. How many offices does your firm have and where are they located? State geographical locations and number and function of professionals at each. Please note the location of the team in question.
4. Please provide a brief history of your organization including how long your firm has been in business under its present name and ownership.
 - a. Have there been any changes in the structure of the firm over the past five years? If yes, please explain.
 - b. Are there any structural changes contemplated in the next year (e.g., new products, merger and acquisitions)? If yes, please explain.
 - c. Briefly outline your succession plans, if any.
5. Please describe the current ownership structure – provide the ownership breakdown by individual if employee owned.

Name of Owner(s) – Firm or employee name	% of Ownership

Must = 100%

6. Please describe the commitment to diversity among the directors, officers, members, and/or employees of the firm. In addition, please include profiles for any minority or female owners or senior management personnel.
7. What percentage of the firm is owned by minorities and/or women? Provide a list of minority/women owners along with their ownership stake.
8. Does your firm have an affirmative action plan? If so, please describe the plan and provide a copy of the corresponding document.

9. What are the criteria for an employee to become an owner?
10. What ownership changes have occurred in the past five years? Is the current ownership group set, or do you anticipate it changing in the future?
11. Has the firm adopted a formal compliance policy and/or a code of ethics for employees? If yes, please provide a copy of such policies.
12. Is the firm registered with any regulatory agency, such as the SEC, CFTC or any state agencies?
 - a. State whether, during the last ten years, any regulatory agency has conducted an audit or review of the firm.
 - b. If such an audit or review was conducted, discuss any significant findings by the regulator.
 - c. Provide a copy of any deficiency letter or similar letter or report regarding such a regulatory audit or review.
 - d. Describe what actions were taken by your firm to correct any deficiencies.
 - e. Provide a description of any material litigation involving the firm or any of its principals during the last ten years, including the nature of the litigation, the parties, the court, cause number, and the current status.
 - f. Is there any pending or threatened litigation, or any past litigation, against the firm or any of its officers, directors, principles or investment personnel? If so, please explain.
 - g. Is there any pending or threatened regulatory action, or any past regulatory action, against the firm or any of its officers, directors, principles or investment personnel? If so, please explain.
 - h. Has your firm ever made a claim against its fiduciary liability or errors and omissions or similar insurance policy? If so, please explain.
 - i. Have any of your firm's officers, directors, principles or investment personnel ever been convicted of a felony? (Note: convicted felons are prohibited from managing ERISA assets.)
13. Does your firm have a current SAS 70 audit?
 - a. If no, when was the last SAS 70 audit conducted?
 - b. Please provide the latest SAS 70 audit results.

14. Please list all products in every asset class offered by your firm in the following format:

Product Name	Asset Class	Status (open/closed)	AUM (\$mm)

15. Do you intend to close any of your products to new investors? If so, for what reasons (i.e., upon attaining a certain number of clients, level of assets, liquidity)?

Section 2: Product Specific Issues

1. Please provide the specific name of the product under consideration.
2. What is the inception date of the proposed product? Describe the history of the proposed product. Please discuss catalysts for development as well as process changes or portfolio manager changes (additions or subtractions) since inception.
3. What was the market value of all assets under management at the end of the last five calendar years and year-to-date (please use table below)?

	YTD 2012	2011	2010	2009	2008	2007
Total Firm Assets (\$mm)						
Total Firm Tax Exempt Assets (\$mm)						
Total Energy-MLP Assets (\$mm)						
Total Energy-MLP SMA Assets (\$mm)						
Total Energy-MLP Tax Exempt Assets (\$mm)						

4. In the following format, please provide a breakdown of your asset base by client type, as of 06/30/2012.

	Total Firm Assets			Energy-MLP Assets		
	\$ Amt.	% Total	# Accts.	\$ Amt.	% Total	# Accts.
Public						
Corporate						
Insurance						
Taft-Hartley						
Endowment/Foundation						
Mutual Funds (Open-End and Closed-End)						
Long/Short Commingled Funds						
Long-Only Commingled Funds						
Other (Please Define)						

5. Please list the total number and size of accounts gained and lost, by the firm as well as within the proposed product, during the past five years and year-to-date 2012.

	YTD 2012		2011		2010		2009		2008		2007	
	Total Firm	MLP Product	Total Firm	MLP Product	Total Firm	MLP Product	Total Firm	MLP Product	Total Firm	MLP Product	Total Firm	MLP Product
Total # of Accounts												
# Gained												
Total \$ Gained												
# Lost												
Total \$ Lost												

6. Discuss the reasons for the lost accounts indicated in the table above (not including plan terminations).
7. Please provide a representative client list (please list entity/investor type if the client wishes to remain anonymous) and at least three client references (include contact, length of relationship, email address, and phone number) for the proposed product.
8. Please list your five largest discretionary accounts (please list entity/investor type if the client wishes to remain anonymous) to the nearest million, for the proposed product.
9. Does your firm manage or act as a sub-adviser for any mutual funds? Describe in detail, your firm's mutual fund trading policies as they relate to late trading and market timing for any fund your firm sub-advises, specifically addressing those policies intended to prevent illegal or improper trading activity?
 - a. If your firm manages or sub advises a mutual fund, how much of the fund is held by retail investors?
 - b. If your firm manages or sub advises a mutual fund, detail the investor flows into and out of the fund on a quarterly basis for the last year.
10. Do the mutual fund or commingled fund documents allow for securities lending? If yes, please provide a fact sheet on the underlying collateral pool and answer the following questions.
 - a. Is the fund currently lending? If so, when did it start lending?
 - b. What percentage of the fund is currently on loan and how does this amount compare to the last five calendar year-end percentages?
 - c. How is the collateral currently invested? What is the universe of allowable collateral types?

Fees

1. Please list all vehicles for the proposed Energy-MLP strategy including assets under management, management fees, inception date, and minimum size, as of 06/30/2012 (please use the format below).

	Separate Accts.	Commingled Funds	Mutual Funds
Assets (\$mm)			
Fees:	Fee:	Custody: Investment Mgmt.: Other:	Expense Ratio:
Inception Date			
Minimum Size (\$)			

2. Does your firm have a performance-based fee mechanism? Are you willing to discuss a performance-based fee? Indicate the degree to which fees are negotiable; disclose the factors that hinder fee negotiability (if applicable).
3. Please provide a sample performance fee currently in place.
4. How many days notice is required of a client to exit the relationship?

Responsiveness

1. Please indicate how you intend to service this account and the scope of that service.
2. Describe how client servicing/communication responsibilities are divided between portfolio managers and client service/marketing personnel.
3. How often will the portfolio manager meet with the client to review the portfolio?

Section 3: Personnel Issues

- Please provide a list of all key personnel involved in the management of the proposed product. Please include portfolio managers, marketing personnel, research analysts, and administrative personnel. Answer in the format below for each individual.

Name	Title	Education	Role at Firm	Total Investment Experience (Years)	Tenure with the Firm (Years)	Tenure with this team (Years)	Tenure at present position (Years)
ex. Joe Thompson	Managing Director	MBA Finance	Portfolio Management	24	17	5	3

- In the format below, please summarize the firm's professional turnover rate in the last five years and year-to-date for the firm and the proposed product.

	YTD 2012		2011		2010		2009		2008		2007	
	Total Firm	MLP Prod.	Total Firm	MLP Prod.	Total Firm	MLP Prod.	Total Firm	MLP Prod.	Total Firm	MLP Prod.	Total Firm	MLP Prod.
Total #												
# Gained												
# Lost												

- In addition to the question above, please list in detail portfolio managers, analysts, or traders who have been hired and have departed in the **last five years and year-to-date** for the entire firm.

Departed Professionals:

Name	Product Responsibility	Date Hired	Departure Date	Reason for Departure
i.e., Sarah Davis	Portfolio Manager	6/1/2000	12/31/04	Joined new firm

Hired Professionals:

Name	Product Responsibility	Date Hired	New Position (Yes/No)	Replaced Departing Professional
i.e., John Smith	Portfolio Manager	1/1/2005	N	Replaced Sarah Davis

- Who is currently responsible for the management of the proposed product? Please list the following for all members of the team:
 - Name and team responsibility
 - Number and size of portfolios he/she currently manages
 - Responsibilities other than portfolio management
- When did this person or group take over responsibility for the proposed product? Was this person or group responsible for the initial development of the product? If not, who was responsible for the initial development and when was this responsibility passed to the current person or team?

6. Are portfolio managers subordinated to an investment committee?
7. On a separate basis, please describe how portfolio managers, analysts, traders, marketers and client service personnel are compensated. How has this changed over the last five years?
8. Describe incentives used by your firm in obtaining and maintaining key personnel.
9. What are the key requirements for potential hires to be considered for professional positions?
10. Indicate what targets, if any, have been set for staff (i.e., # of PMs, Analysts, Traders, Marketers, Specialties)?

Section 4: Investment Philosophy and Process Issues

Philosophy

1. Briefly describe your investment philosophy and biases toward MLP investing. How have these changed since the inception of the product? How do you expect them to evolve in the future?
2. What timeframe is built into your investment philosophy?
3. Is there a size (client relationships or dollars) at which the firm might find it difficult to pursue its current investment strategy?
4. Against which benchmark is your product typically managed?
5. What is your expected annualized performance goal (in basis points) above your benchmark gross of fees?
6. Describe the investment environments in which you expect your strategy to:
 - a. Outperform the benchmark or peers
 - b. Underperform the benchmark or peers
7. How do you view market timing as it relates to cash holdings? Please provide for the past five years and year-to-date what has been your highest, lowest and average cash position on fully discretionary accounts in your proposed style (please provide on a year-by-year basis).

Cash position	YTD 2012	2011	2010	2009	2008	2007
High						
Average						
Low						

Process

1. Provide a (detailed) description of your investment process:
 - a. Provide a detailed description of the investable universe of MLPs (i.e., – market cap, liquidity, other characteristics, etc).
 - b. Provide a detailed description of all screens and/or rankings. Include factors and weightings of their importance.
 - c. Provide a description of any fundamental analysis as well as a detailed description of the fundamental analysts' responsibilities.

- d. Provide a description of any quantitative analysis as well as a detailed description of the quantitative analysts' responsibilities.
 - e. Provide a description of all top down or macro decisions or influences and those responsible.
 - f. Describe the composition of the investment team and their responsibilities (and how they fit into the process).
 - g. Please discuss risk as it relates to this portfolio. How does your benchmark impact your decision making process? Describe any optimization or risk control techniques used in the portfolio construction process.
 - h. Who is ultimately responsible for implementing the investment process? Describe the mechanics of the decision-making process. (i.e., is the "buy" decision a team based approach with an attempt to build consensus or is there a sole decision maker?).
 - i. Is the investment process consistent from account to account (i.e., model portfolio)? Describe how individual accounts are managed (by individual portfolio managers, by a team or by a committee). Do account/portfolio managers have discretion to invest outside of the model portfolio? Please detail this discretion.
 - j. What unique features of your investment approach do you feel add the most value over time?
2. Describe your sell process.
 3. Do you utilize derivative financial instruments in the portfolio? If so, which ones and how are they used?
 4. Over the last three years, what percent of your performance attribution would you attribute to the following?

	Stock selection decision
	Sector allocation decision
	"Market Timing"
	Top down / thematic decision
	Other (please describe)
100%	
 5. Please provide the portfolio's market capitalization weightings for the last five year-end time periods and as of the second quarter 2012:

% of the Portfolio by Market Capitalization:

	<u>2Q 2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
> \$20 billion						
\$15 - \$20 billion						
\$10 - \$15 billion						
\$5 - \$10 billion						
\$1 - \$5 billion						
< \$1 billion						
	100%	100%	100%	100%	100%	100%

6. Please characterize your proposed product's portfolio construction with respect to the following factors (as of 06/30/2012):

	Portfolio	Alerian MLP Index
Number of holdings		
Portfolio turnover (trailing 12-mo.)		
Weighted Average market capitalization		
Median market capitalization		
Smallest market capitalization		

Largest market capitalization	_____	_____
Distribution growth rate (trailing 12-mo.)	_____	_____
Weighted average distribution yield	_____	_____
Average percent invested (last 12-mo.)	_____	_____
Beta	_____	_____

7. What are the minimum and maximum position limits (%) of the portfolio?

Diversification

1. What is an expected range of holdings typically represented in your portfolio?
2. What is the expected annual turnover rate? In what environment would you expect this to change?
3. How heavily will you overweight or underweight a sector or industry group? In what sectors will you not participate?
5. Provide the product's sector allocation as of 06/30/2012 as well as the average allocation over the last three years.

Sector	As of 06/30/12		3-Year Average	
	Portfolio	Alerian MLP Index	Portfolio	Alerian MLP Index
Crude oil/refined products transportation & storage				
Natural gas/NGL transportation & storage				
Gathering, processing, and fractionation				
E&P				
Coal				
Shipping				
Propane				
Other				
Total	100%	100%	100%	100%

Trading

1. Are portfolio managers responsible for their own trading or is there a dedicated trader associated with the group?
2. How is individual security liquidity addressed in your trading process?
3. Once a trade is made, is the portfolio manager responsible for allocation among accounts or is the process automated? How are account restrictions addressed?
4. Please list your trading systems and the percentage of trades completed through each.
5. What is the size of your trading department?
6. How many people are dedicated solely to trading? Please provide biographies on these people.
7. Do you limit position sizes based on trading volume? If so, please describe your limits.

8. Will your firm participate in a commission recapture program? If yes, explain your proposed method and any differentiating program features.
9. For the quarter ending 06/30/2012, please disclose your 10 largest trading vendors in the proposed product area, any soft dollar relationships, and services provided (see chart below).

Firm	Percentage of Total Trades Completed	Soft Dollar Relationship (Y/N)	Services Provided through Soft Dollar Relationship			
			Research	Systems	Commission Recapture	Other

Research Capabilities

1. Describe your research capabilities and approach with regard to the proposed product.
2. Is the research generated internally or through outside sources? Please provide percentage of total obtained from each outside source?
3. What access would we have to staff economists, research analysts, investment policymakers and others in your organization?
4. Please provide a complete list and a brief description of both internal and external systems/data sources used by your firm in each of the following: database/screening, research, portfolio management/accounting, and compliance.
5. Please list names and professional qualifications of research staff dedicated to this strategy.
6. How do you differentiate your strategy when you are explaining it to prospective clients? Please provide three points that best differentiate your strategy from peers.

Section 5: Performance

Note: For the entire performance section, please answer all questions in reference to the proposed product's composite.

- Please complete the table below OR attach an Excel file including monthly and quarterly composite returns back to the inception of the strategy.

	Holdings & Cash
Since inception (if +10 years)	
2002 Q1	
Q2	
Q3	
Q4	
2003 Q1	
Q2	
Q3	
Q4	
2004 Q1	
Q2	
Q3	
Q4	
2005 Q1	
Q2	
Q3	
Q4	
2006 Q1	
Q2	
Q3	
Q4	
2007 Q1	
Q2	
Q3	
Q4	
2008 Q1	
Q2	
Q3	
Q4	
2009 Q1	
Q2	
Q3	
Q4	
2010 Q1	
Q2	
Q3	
Q4	
2011 Q1	
Q2	
Q3	
Q4	
2012 Q1	
Q2	
Q3	
Q4	

	Holdings Only
Since inception (if +10 years)	
2002 Q1	
Q2	
Q3	
Q4	
2003 Q1	
Q2	
Q3	
Q4	
2004 Q1	
Q2	
Q3	
Q4	
2005 Q1	
Q2	
Q3	
Q4	
2006 Q1	
Q2	
Q3	
Q4	
2007 Q1	
Q2	
Q3	
Q4	
2008 Q1	
Q2	
Q3	
Q4	
2009 Q1	
Q2	
Q3	
Q4	
2010 Q1	
Q2	
Q3	
Q4	
2011 Q1	
Q2	
Q3	
Q4	
2012 Q1	
Q2	
Q3	
Q4	

2. Have the composite returns for the product been externally verified to be in compliance with GIPS Standards?
3. Has your composite or another similar investment vehicle (mutual fund or commingled fund) been audited by a certified public accounting firm? What was the date of the audit? Please provide scope of audit process.

Section 6: Additional Reports

1. Provide a sample of your normal reports (monthly, quarterly, and finals presentations).
2. Please include investment team bios.
3. Please provide a copy of your most recent Form ADV.
4. Provide a sample SMA investment management agreement.